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West Virginia District Office**

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2006 Small Business Lending Conference

SBA's annual Regional Small Business Lending Conference will be held this year on March 16 & 17, 2006 at Seven Springs Mountain Resort in Champion, PA. Last year the conference drew over 300 lenders and SBA resource partners from around the region, which includes Delaware, Maryland, Pennsylvania, Virginia, the District of Columbia and West Virginia, and this year's program is expected to be better than ever. In today's economy, knowledge of SBA's loan programs and other credit risk mitigation tools are more important than ever, and this conference has been designed to provide intensive training to both new and seasoned SBA lenders in a fun atmosphere.

Please join us for two days of training, education, interaction, networking and FUN in the mountains of Pennsylvania! For more information and to register, visit the Western Pennsylvania Association of SBA Guaranteed Lenders web site at <http://www.wpasgl.org> or contact David Manley at the West Virginia District Office at (304) 623-5631 ext. 231 or by email at david.manley@sba.gov.

We hope to see you there!

Small Business Week – 2006

In recognition of the small business community's contribution to the American economy, the SBA will be holding its annual Small Business Week awards ceremonies throughout the country in April and May. The West Virginia awards ceremony will be held on Wednesday evening, May 10, 2006 at the Charleston Marriott in conjunction with the West Virginia Conference on Entrepreneurship. Please mark your calendars now and plan on joining us as we recognize West Virginia's top small business entrepreneurs and champions.

As an added feature to this year's ceremony, we will be presenting awards to West Virginia's top SBA lenders for FY 2005 in the following categories: Community Bank; Large/National Bank; and Community Express. We are keeping a close tab on the top lenders in each category for the fiscal year 2006. We'd like nothing better than to recognize your lending institution at next year's awards banquet. The top lenders in each category as of February 28, 2006 are as follows:

Community Banks

1. First State Bank – 5 loans for \$834K
2. Sky Bank – 4 loans for \$1.6M
2. Guaranty Bank & Trust – 4 loans for \$734K

Large and National Banks

1. Capital One – 8 loans for \$195K
2. Bank One/Chase – 5 loans for \$244K
3. BB&T – 4 loans for \$533K

Community Express Lenders

1. Innovative Bank – 39 loans for \$480K
2. Business Loan Center – 7 loans for \$211K

West Virginia District Office News



The West Virginia District Office is pleased to announce the promotion of David Manley to the position of Deputy District Directory. Being a seasoned SBA employee with over 35 years of service, David's knowledge and experience in

SBA lending programs will be an asset to the Deputy position as will his general knowledge of SBA programs and services. David can be reached at (304) 623-5631 ext. 231 or by email at david.manley@sba.gov. Congratulations David!

Lender Training Coming to Your Area

The West Virginia District Office will be holding a series of lender training sessions at various locations throughout the state beginning



March 14. These sessions will feature presentations on SBA loan programs, including SBAExpress and 504, and the services provided

by the local Small Business Development Center and other local economic development organizations. New and seasoned SBA lenders will be able to benefit from information presented at the sessions and receive answers to all of their SBA questions. Mark your calendar now and plan on attending a session near you.

The dates, cities, time and contact phone number for the events are as follows:

March 14 – Fairmont – 8:00 a.m. – 367-4920
March 23 – Martinsburg – 8:00 a.m. – 260-4385
April 4 – Lewisburg – 11:30 a.m. – 800-766-4556
May 4 – Wheeling – 11:30 a.m. – 233-5900x4355
May 10 – Parkersburg – 11:30 a.m. – 424-8277
June 13 – Moorefield – 2:00 p.m. – 877-982-2322
July 25 – Bluefield – 11:30 a.m. – 800-766-4556
August 15 – Beckley – 11:30 a.m. – 800-766-4556

IRS Form 4506-T and IRS Contact Information Updated

SBA Information Notice, 5000-977 issued November 3, 2005 announced that the IRS has issued a new 4506-T, and current contact points and telephone numbers for IRS Service Centers. The contact points for the IRS Service Centers are to be used to request copies of IRS tax transcripts to verify business financial information included in SBA loan applications.

Lenders are reminded that all SBA 7(a) and 504 related requests for IRS tax transcripts must be submitted to IRS Service Centers using the new IRS Form 4506-T. Both SBA Notice 5000-977 and IRS Form 4506-T are available on the SBA Banking site at www.sba.gov/banking. Please note that SBA's logo must be included at the top of the 4506-T form to ensure SBA related requests are expedited and to ensure there will be no charge for the transcripts.

SBAExpress

Has your lending institution applied for SBAExpress status yet? Don't miss this great opportunity to get a 50 percent guarantee from the SBA, use your own loan procedures, mostly your own forms, and your own collateral policy for loans up to \$150,000. With SBAExpress, you can make revolving lines of credit and collateral is not required for loans under \$25,000. For more information, contact Dave Manley (david.manley@sba.gov) at (304) 623-5631 ext. 231.

Revised Form 159 for 7(a) and 504 Loans

As of October 1, 2005, SBA Form 159, Compensation Agreement for Services in Connection with Applicant and Loan, has been revised. It is now titled "Fee Disclosure Form and Compensation Agreement." In addition, there is a separate version of Form 159 for each of the three loan programs: the 7(a) loan program [159 7(a)]; the 504 program [159 (504)]; and the Disaster loan program (159D).



The new forms are available at SBA's website at www.sba.gov/library. Click on the hyperlink titled "Forms" and then on SBA Form 159 (7a) or SBA Form 159 (504).

Significant changes to Form 159 are as follows:

1. The form's purpose is to identify those Agents that received compensation for

expediting the loan application for a 7(a) or 504 loan. Each version of the form now identifies the rules governing packaging and referral fees for that loan program as well as providing a hyperlink to the rules themselves.

2. The form specifically requires the name and business address of each Agent covered by the form. The form also lists those not considered to be an Agent for purposes of this form. The list includes a state-certified or state-licensed appraiser, an environmental professional, and any attorney hired to close a loan. These changes ensure that the lender or CDC will enter the correct loan agent data consistently.
3. The threshold for itemization of services provided by an Agent has been increased to \$2,500. (Previously, any agent that received more than \$1,000 (or \$200 in case of 7(a) loans in the amount of \$15,000 or less) was required to submit a separate schedule itemizing the services performed including the date of the service and the time spent each day.)

The new edition of SBA Form 159 may be used immediately but in all cases must be used for 7(a) and 504 loan applications submitted to SBA as of November 21, 2005.

Benefits of Purchasing SBA Loans on the Secondary Market

Many banks benefit from the strategic addition of government guaranteed loans to their loan portfolios. The reasons for acquiring loans range from purchasing loans in periods of lower local demand to lenders wanting to increase the size of their loan portfolio size or achieve more loan diversity. Several benefits follow:

- 1) When 7(a)'s are traded on the secondary market, the principal and interest become an **unconditional** obligation of the U.S. Government. This is unlike GGL loans generated in-house, which are a conditional obligation of the government, contingent on certain requirements.
- 2) Generally, loans backed by the SBA can be used for pledging.
- 3) May be CRA positive.
- 4) Payments are remitted on the 15th of each month by the fiscal and transfer agent, Colson.
- 5) If a floating rate loan, coupon moves in tandem with changes in the Prime Rate.
- 6) Diversification and other benefits.

Diversification is achieved by investing in a variety of loans, rather than one or two. Geographic diversification is reached by selecting loans from a region, or from around the country. Loans can be fixed or floating rates. If floating rate, monthly, quarterly, or annually adjustment tied to the Wall Street Journal Prime Rate is normal.

As with any investment, there are certain risks that must be understood. A purchasing program that achieves diversity by spreading investment over many loans is the way to minimize the effects of pre-payment risk. Pre-payment risk is the major concern when evaluating the potential benefits of a purchasing program. As stated before, principal and interest are backed by the full, faith and credit of the U.S. Government.

This is unlike most any other type of loan product available. However, premiums paid to acquire loans are not covered by this policy. This risk is mitigated by a traditionally predictable rate of pre-payments over time, which may continue. As stated before, diversification is key, coupled with a thorough understanding of historical pre-payment speeds which help to model and predict what a diversified loan portfolio should accomplish over time. Secondary market participants can help you to quantify what the potential benefits could be.

Secondary Market Ongoing Servicing Fee Access - Colson

For information on loans sold on the secondary market, Colson Services offers a service that allows lenders access to their secondary market loan portfolio.

LoanLIST, which stands for Loan Information for Secondary-market Trades, is an enhanced online information system that gives authorized users the scoop on secondary market loans. Loan details are readily displayed simply by entering one or hundreds of loan numbers.

Through LoanLIST, users can...

- Examine current interest rates and loan face amounts
- View applicable service fee changes
- Cross-reference and verify details on secondary market loans in their portfolio

If you're active in the secondary market and want to experience the ease of online loan research, visit the Colson web site at www.colsonservices.com then select LoanLIST services from the drop down "Log on to" menu in the upper right corner.

For questions regarding LoanLIST or for more information on secondary market loans, contact the Colson Customer Service Department at (877) 245-6159, or email them at info@colsonservices.com.

Tips for 7(a) Lenders

- ✍ Quote the guaranty fee to your customers as a percentage of the total loan rather than the guaranteed portion.
- ✍ Consider making a companion line of credit (using SBAExpress) to accompany a 504 loan if the business needs working capital.
- ✍ Use E-Tran to submit your SBAExpress loans.
- ✍ If an applicant is near the \$150,000 threshold, consider putting off some financing until a later date (provided the business can forego the additional financing) to retain the higher guaranty and the lower guaranty fee.
- ✍ Remember, the guaranteed portion of a SBA loan does not count against your legal lending limit!
- ✍ Use the secondary market to increase profits!
- ✍ If you are making a 504 loan and a companion 7(a) loan, remember to submit the 7(a) loan first because lending limits are higher under the 504 program than 7(a).

E-Tran and Loan Coding

E-Tran is an SBA loan guaranty origination solution that leverages best-practice Internet technology to reduce the turnaround time on loan guaranty requests and provide the agency with high quality, timely data to support the management and oversight of its portfolio. E-Tran is one component of an overall strategy to provide increased efficiency and decreased costs in the loan guaranty origination process.

E-Tran's flexibility allows lenders to determine which method of access is best for them. E-Tran was created to allow access through a number of channels, including:

- A Web page where lenders can enter loan information for single loans
- A secure Web site capable of accepting multiple applications simultaneously via

an EXL (Extensible Markup Language) file transfer

- Working with software intermediaries that have E-Tran loan submission functionality built into their program

The technical specifications for E-Tran were designed so that any bank is able to access this system regardless of their level of technical expertise.

Who is eligible for E-Tran?

SBAExpress lenders with delegated eligibility authority will be given first preference, but all *Express* lenders are eligible. Currently, SBAExpress and PLP loan processing is E-Tran eligible. 504 loans will come online within the near future.

Loan Coding

The SBA places a priority on helping women, minority and veteran-owned businesses as well as those that export their goods or services. In order to gauge the success of providing these groups with increased access to capital, the SBA relies on the information provided by its lending partners. It is vital that the information in SBA databases be complete and accurate. SBA has streamlined the loan approval process and automated the data entry process. In fact, E-Tran allows the data provided by participant lenders to be transferred directly into SBA's database – avoiding transcription errors. This straight-line approach further heightens the need for this information to be captured, accurately, when a borrower is completing the SBA Business Loan application.

The most recent version of SBA Form 4 (Business Loan Application) requests race, sex, ethnicity and military service information on page 2. Question 17 on page 3 of the application asks whether the applicant currently exports or will begin to export as a result of the loan. Question 18 asks for an annual estimate of the Company's export sales. Exporting is defined as any sales of goods or services to a foreign buyer. Sales to Canada are export sales. Companies with retail websites that ship products overseas would also be exporting.

Thank you for your help in keeping SBA's database as complete and accurate as possible. For questions or additional information on E-Tran, you can visit SBA's banking website at: www.sba.gov/banking or contact Dave Manley at (304) 623-5631 ext. 231 (email: david.manley@sba.gov).

KEY SBA INFORMATION

Maximum Guaranty Percentages

Regular 7(a) loans of \$150,000 or less.....	85%	SBAExpress (\$350,000 maximum).....	50%
Regular 7(a) loans greater than \$150,000.....	75%	SBA Export Express (\$350,000).....	85/75%
Export Working Capital Program.....		90%	

Guaranty Fees on loans exceeding 12 months in maturity. The Lender pays the fee and may pass it on to the borrower after first disbursement.

	<i>Based on SBA Guaranteed Portion</i>	<i>Based on Total Loan with Standard SBA Guarantees</i>	<i>Based on Total Loan with Express</i>
Loans of \$150,000 or less (Lender may keep .25% of fee)	2.00%	1.70%	1.0%
Loans between \$150,001 & \$700,000	3.00%	2.25%	1.5%
Loans greater than \$700,000	3.50%	2.625%	n.a.

Loans with a guaranteed portion in excess of \$1 million add an additional **.25%** guaranty fee on that portion.

The guaranty fee on a \$2,000,000 SBA loan is now \$53,750.

Guaranty Fee on all loans up to 12 months in maturity is only .25%, but must be submitted with the application

Lender Annual Service Fee: .545% of the outstanding balance of the SBA guaranteed portion of the loan. The fee is prorated and submitted monthly with your 1502 report (See Colson Services below for contact information). This fee may not be passed on to the borrower.

Interest Rate Limits

Term less than 7 yrs	WSJ Prime + 2.25%
Term of 7 yrs or more	WSJ Prime + 2.75%
Loan of \$25,000 or less	May add 2%
Loan of \$25,001 to \$50,000	May add 1%

SBAExpress limits are:

Prime rate + 4.5% for loans over \$50,000

Prime rate + 6.5% for loans of \$50,000 or less

West Virginia District Office Finance Division Staff

	Telephone	Individual Fax	e-mail addresses
David Manley	(304) 623-5631 ext 231	(202) 481-2617	david.manley@sba.gov
Naomi Bassel	(304) 623-5631 ext 225	(202) 481-4718	naomi.bassel@sba.gov

Key Web Sites

SBA Lender Homepage	www.sba.gov/banking
West Virginia District Office Homepage	www.sba.gov/wv/
SIC, NAICS codes and Size Standards	https://eweb1.sba.gov/naics
Franchise Registry Homepage	www.franchiseregistry.com/registry/
Immigration and Naturalization	www.ins.usdoj.gov/graphics/formsfee/forms
Exporting	www.export.gov

Important Addresses

West Virginia District Office

320 West Pike Street, Suite 330
Clarksburg, WV 26301
(304) 623-5631
Fax (304) 623-0023

Sacramento Loan

**Processing Center
(PLP and SBAExpress)**
U.S. Federal Courthouse
501 I St., Suite 12-100
Sacramento, CA 95814-2322
Fax (916) 930-2160

Guaranty Fee Payments

Small Business Administration
Denver, CO 80259-0001

Little Rock Commercial

Loan Servicing Center
2120 Riverfront Dr., Ste100
Little Rock, AR 72202
(501) 324-5871
Fax (501) 324-6072
Lrsc.servicing@sba.gov

Colson Services

150 Nassau St.
New York, NY 10038
(212) 266-7998
(212) 266-7828 (1502 HELP)

National Guaranty

Purchase Center
1145 Herndon Parkway
Herndon, VA 20170
(703) 487-9283
Fax (202) 481-4674
loanresolution@sba.gov
Hours: Monday to Friday
7:30 am to 6:30 pm